



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
METCALFE COUNTY CLERK**

**Calendar Year 2000**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE METCALFE COUNTY CLERK**

**Calendar Year 2000**

On September 12, 2001, fieldwork was completed on the Metcalfe County Clerk's fee audit. An unqualified opinion was issued on the statement of receipts, disbursements, and excess fees. Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The County Clerk Referred A Misappropriation Of \$11,045 To The Commonwealth Attorney For Calendar Year 2000
- The County Should Improve Internal Control In the Financing Statement/Chattel Mortgage Section

#### **Excess Fees:**

The County Clerk had gross receipts of \$1,279,318 and disbursements of \$1,259,089, which includes the clerk's statutory maximum, training incentive, and expense allowance. The Metcalfe County fiscal court should receive total excess fees of \$20,229. The fiscal court has been paid \$11,143 and is due \$9,086 at the completion of the audit.

#### **Subsequent Event:**

The County Clerk's official bank account had a deficit balance of \$6,368 for the period of January 1, 2001 through June 30, 2001. This was found as a result of further investigation of the Chattel Mortgages/Financing Statements recordings. We found fees for 378 Chattel Mortgages/Financing Statements that were not posted to the Legal Process Reports or the County Clerk's receipts ledger. We have determined that \$6,368 was omitted from the receipt ledger. Subsequently, a deputy who worked in the county clerk's office was indicted on theft charges.



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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Donald M. Butler, Metcalfe County Judge/Executive

Honorable Carol England, Metcalfe County Clerk

Members of the Metcalfe County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Metcalfe County, Kentucky, for the year ended December 31, 2000. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2000, in conformity with the basis of accounting described above.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Donald M. Butler, Metcalfe County Judge/Executive  
Honorable Carol England, Metcalfe County Clerk  
Members of the Metcalfe County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated September 12, 2001 on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The County Clerk Referred A Misappropriation Of \$11,045 To The Commonwealth Attorney For Calendar Year 2000
- The County Should Improve Internal Control In the Financing Statement/Chattel Mortgage Section

Our audit was made for the purpose of forming an opinion on the financial statement as a whole. The schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated in all material respects in relation to the financial statement taken as a whole.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
September 12, 2001

METCALFE COUNTY  
CAROL ENGLAND, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2000

Receipts

State Grant:

|                           |    |        |
|---------------------------|----|--------|
| Library and Archive Grant | \$ | 35,555 |
|---------------------------|----|--------|

|                         |  |       |
|-------------------------|--|-------|
| State Fees For Services |  | 4,742 |
|-------------------------|--|-------|

|              |  |        |
|--------------|--|--------|
| Fiscal Court |  | 10,510 |
|--------------|--|--------|

Licenses and Taxes:

Motor Vehicle-

|                        |    |         |
|------------------------|----|---------|
| Licenses and Transfers | \$ | 214,758 |
|------------------------|----|---------|

|           |  |         |
|-----------|--|---------|
| Usage Tax |  | 432,394 |
|-----------|--|---------|

|                                |  |         |
|--------------------------------|--|---------|
| Tangible Personal Property Tax |  | 427,634 |
|--------------------------------|--|---------|

Licenses-

|               |  |        |
|---------------|--|--------|
| Fish and Game |  | 17,456 |
|---------------|--|--------|

|          |  |       |
|----------|--|-------|
| Marriage |  | 2,794 |
|----------|--|-------|

|              |  |     |
|--------------|--|-----|
| Occupational |  | 484 |
|--------------|--|-----|

|                   |  |        |
|-------------------|--|--------|
| Deed Transfer Tax |  | 12,905 |
|-------------------|--|--------|

|                |        |           |
|----------------|--------|-----------|
| Delinquent Tax | 29,773 | 1,138,198 |
|----------------|--------|-----------|

Fees Collected for Services:

Recordings-

|                                 |    |       |
|---------------------------------|----|-------|
| Deeds, Easements, and Contracts | \$ | 8,937 |
|---------------------------------|----|-------|

|                       |  |       |
|-----------------------|--|-------|
| Real Estate Mortgages |  | 8,422 |
|-----------------------|--|-------|

|  |  |        |
|--|--|--------|
| Chattel Mortgages and Financing Statements |  | 41,718 |
|--|--|--------|

|                      |  |        |
|----------------------|--|--------|
| All Other Recordings |  | 10,023 |
|----------------------|--|--------|

Charges for Other Services-

|                                     |        |        |
|-------------------------------------|--------|--------|
| Title Applications and Mail In Fees | 10,978 | 80,078 |
|-------------------------------------|--------|--------|

Other:

|               |  |       |
|---------------|--|-------|
| Miscellaneous |  | 7,769 |
|---------------|--|-------|

|                 |  |       |
|-----------------|--|-------|
| Interest Earned |  | 2,466 |
|-----------------|--|-------|

|                |    |           |
|----------------|----|-----------|
| Gross Receipts | \$ | 1,279,318 |
|----------------|----|-----------|

METCALFE COUNTY  
 CAROL ENGLAND, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 Calendar Year 2000  
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 160,156

Usage Tax 419,052

Tangible Personal Property Tax 165,413

Licenses, Taxes, and Fees-

Fish and Game 17,448

Delinquent Tax 9,447

Legal Process Tax 10,995 \$ 782,511

Payments to Fiscal Court:

Tangible Personal Property Tax \$ 26,014

Delinquent Tax 2,242

Deed Transfer Tax 12,260

Occupational Licenses 323 40,839

Payments to Other Districts:

Tangible Personal Property Tax \$ 219,067

Delinquent Tax 14,707 233,774

Payments to Sheriff

669

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries \$ 57,114

Part-Time Salaries 10,042

Extra Help - Office Cleaning 585

Employee Benefits-

Employer's Share Social Security 8,383

Employer's Share Retirement 229

Contracted Services-

Fish and Game 460

Advertising 10,325

Printing and Binding 2,370

Materials and Supplies-

Office Supplies 2,475

Other Charges-

Conventions and Travel 2,538

Dues 350

Postage 2,789

Repairs 200

METCALFE COUNTY  
 CAROL ENGLAND, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 Calendar Year 2000  
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

|   |    |              |                        |
|---|----|--------------|------------------------|
| Other Expenses-                                 |    |              |                        |
| Bad Debt Expense                                | \$ | 472          |                        |
| Miscellaneous                                   |    | 7,458        |                        |
| Library and Archives Grant-                     |    |              |                        |
| Indexing and microfilming                       |    | 35,555       |                        |
| Capital Outlay-                                 |    |              |                        |
| Office Equipment                                |    | <u>2,711</u> | <u>\$ 144,056</u>      |
| Total Disbursements                             |    |              | <u>\$ 1,201,849</u>    |
| Net Receipts                                    |    |              | \$ 77,469              |
| Less: Statutory Maximum                         | \$ | 52,246       |                        |
| County Clerk's Training Incentive               |    | <u>1,394</u> | <u>53,640</u>          |
| Excess Fees                                     |    |              | \$ 23,829              |
| Less: Expense Allowance                         |    |              | <u>3,600</u>           |
| Excess Fees Due County for Calendar Year 2000   |    |              | \$ 20,229              |
| Payment to County Treasurer - February 27, 2000 |    |              | <u>11,143</u>          |
| Balance Due at Completion of Audit              |    |              | <u><u>\$ 9,086</u></u> |

The accompanying notes are an integral part of the financial statement.

METCALFE COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2000.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year. A schedule of excess of liabilities over assets is included in this report as a supplemental schedule.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent.

METCALFE COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2000  
 (Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2000, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the County Clerk's agent in the County Clerk's name.

Note 4. Grant

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$34,946. The balance as of December 31, 1999 was \$35,354. During calendar year 2000 the County Clerk earned \$201 of interest and expended \$35,555. The unexpended grant balance was \$0 as of December 31, 2000.

Note 5. Lease Agreements

A. Copier

The office of the County Clerk entered into a lease agreement with Melton First United Leasing for a copier. The agreement requires a monthly payment of \$181 for 36 months to be completed on December 20, 2003. The balance of the agreement is \$6,344 as of December 31, 2000.

| <u>Year Ending</u> | <u>Minimum Lease Payments</u> |
|--------------------|-------------------------------|
| December 31, 2001  | \$ 2,175                      |
| December 31, 2002  | 2,175                         |
| December 31, 2003  | <u>1,994</u>                  |
| Total              | <u>\$ 6,344</u>               |

METCALFE COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2000  
 (Continued)

Note 5. Lease Agreements (Continued)

B. Computer Hardware

The office of the County Clerk entered into a lease agreement with Software Management, Inc. for a main computer station and two (2) terminals. The agreement requires a monthly payment of \$724 for 60 months to be completed on December 6, 2005. The balance of the agreement is \$42,716 as of December 31, 2000.

| <u>Year Ending</u> | <u>Minimum Lease<br/>Payments</u> |
|--------------------|-----------------------------------|
| December 31, 2001  | \$ 8,688                          |
| December 31, 2002  | 8,688                             |
| December 31, 2003  | 8,688                             |
| December 31, 2004  | 8,688                             |
| December 31, 2005  | <u>7,964</u>                      |
| Total              | <u>\$ 42,716</u>                  |

C. Computer Software

The office of the County Clerk entered into a lease agreement with Software Management, Inc. for software (CCLIX Full Service-3 terminal access and delinquent tax). The agreement requires a monthly payment of \$400 for 60 months and a \$25 annual service fee. The lease will be completed on December 6, 2005. The balance of the agreement is \$23,600 as of December 31, 2000.

| <u>Year Ending</u> | <u>Minimum Lease<br/>Payments</u> |
|--------------------|-----------------------------------|
| December 31, 2001  | \$ 4,800                          |
| December 31, 2002  | 4,800                             |
| December 31, 2003  | 4,800                             |
| December 31, 2004  | 4,800                             |
| December 31, 2005  | <u>4,400</u>                      |
| Total              | <u>\$ 23,600</u>                  |

Note 6. Subsequent Events

The County Clerk's official bank account had a deficit balance of \$6,368 for the period of January 1, 2001 through June 30, 2001. This was found as a result of further investigation of the Chattel Mortgages/Financing Statements recordings. We found fees for 378 Chattel Mortgages/Financing Statements that were not posted to the Legal Process Reports or the County Clerk's receipts ledger. We have determined that \$6,368 was omitted from the receipt ledger. The County Clerk should distribute an additional \$1,125 to the state for Legal Process. The remainder is fees that may be used for the operation of the County Clerk's office. Subsequently, a deputy who worked in the county clerk's office was indicted on theft charges.

METCALFE COUNTY  
CAROL ENGLAND, COUNTY CLERK  
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS

December 31, 2000

Assets

|                     |                  |
|---------------------|------------------|
| Cash in Bank        | \$ 45,311        |
| Deposits in Transit | <u>6,114</u>     |
| Total Assets        | <u>\$ 51,425</u> |

Liabilities

|  |              |                           |
|--|--------------|---------------------------|
| Paid Obligations-                          |              |                           |
| Outstanding Checks                         | \$ 5,631     |                           |
| State Treasurer-                           |              |                           |
| Motor Vehicle Licenses                     | 3,303        |                           |
| Usage Tax                                  | 925          |                           |
| Tangible Personal Property Tax             | 8,544        |                           |
| Legal Process Tax                          | 514          |                           |
| Delinquent Tax                             | 96           |                           |
| Metcalf County-                            |              |                           |
| Tangible Personal Property Tax             | 12,164       |                           |
| Delinquent Tax                             | 198          |                           |
| Deed Transfer Tax                          | 3,043        |                           |
| Occupational Licenses                      | 782          |                           |
| Excess Fees - 2000                         | 11,144       |                           |
| Withholdings                               | 4,401        |                           |
| Advertising                                | 115          |                           |
| Office Expense                             | 26           |                           |
| Supplies                                   | <u>539</u>   |                           |
| Total Paid Obligations                     | \$ 51,425    |                           |
| Unpaid Obligations:                        |              |                           |
| State Treasurer-                           |              |                           |
| Legal Process Tax                          | \$ 1,959     |                           |
| Metcalf County-                            |              |                           |
| Excess Fees - 2000                         | <u>9,086</u> |                           |
| Total Unpaid Obligations                   |              | <u>11,045</u>             |
| Total Liabilities                          |              | <u>\$ 62,470</u>          |
| Total Fund Deficit as of December 31, 2000 |              | <u><u>\$ (11,045)</u></u> |

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## COMMENTS AND RECOMMENDATIONS



METCALFE COUNTY  
CAROL ENGLAND, COUNTY CLERK  
COMMENTS AND RECOMMENDATIONS

Calendar Year 2000

COMPLIANCE WITH LAWS AND REGULATIONS:

The County Clerk Referred A Misappropriation Of \$11,045 To The Commonwealth Attorney For Calendar Year 2000

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The County Clerk's official bank account had a deficit balance of \$11,045 as of December 31, 2000. During our audit of the Chattel Mortgages/Financing Statements, we found fees for 650 filings that were not posted to the Legal Process Reports and the County Clerk's receipts ledger. The fiscal court is due an additional \$9,086 in excess fees and the state is due an additional \$1,959 for Legal Process fees. We notified the County Clerk of our initial findings, and she referred the matter to the Commonwealth Attorney. We also referred this matter to the Attorney General's Office for further investigation and subsequently a deputy who worked in the County Clerk's office was indicted on theft charges.

*County Clerk's Response:*

*The deficit was in one department (TLS/UCC). The auditor discovered this while conducting the 2000 audit. Only one person was the filing officer in this department. She was put on administrative leave pending an investigation. The Metcalfe County grand jury indicted her on 9-13-01 on theft charges. See attached Exhibit # 1 (2 pages).*

INTERNAL CONTROL - REPORTABLE CONDITION AND MATERIAL WEAKNESS:

The County Clerk Should Improve Internal Control In The Financing Statement/Chattel Mortgage Section

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The County Clerk, on a monthly basis, needs to compare the computer printout with the legal process report and the receipts ledger. The Clerk should physically inspect the documents on file to determine they have been properly reported.

*County Clerk's Response:*

*We compare our receipts with our ledger each day. The monthly report from the (TLS/UCC) department was altered to show the number receipted not the actual number being filed. I had no way of determining that it was not actual.*

*Auditor's Reply:*

*While the daily comparison is useful, a monthly reconciliation of the financial reports to the physical files would allow for a timely exposure of and investigation of any discrepancies.*

PRIOR YEAR FINDINGS:

None.

COMMONWEALTH OF KENTUCKY  
43RD JUDICIAL CIRCUIT  
METCALFE CIRCUIT COURT  
INDICTMENT #01-CR-00054

INDICTMENT

COMMONWEALTH OF KENTUCKY

PLAINTIFF

VERSUS

CINDY NICOLE ASBURY  
116 Roberts Road  
Center KY 42214  
DOB: 8-30-79  
SSN: 400-33-7846

DEFENDANT

COUNT 1: THEFT BY UNLAWFUL TAKING OVER \$300, KRS 514.030,  
CLASS D FELONY, UOR 0232900

COUNT 2: THEFT BY UNLAWFUL TAKING OVER \$300, KRS 514.030,  
CLASS D FELONY, UOR 0232900

COUNT 1

THE GRAND JURY CHARGES that between January 1, 2000 an December 31, 2000 in Metcalfe County, Kentucky, the defendant committed the crime of THEFT BY UNLAWFUL TAKING OVER \$300.00 when, as part of a continuing course of conduct, she embezzled more than \$300.00 from the office of the Metcalfe County Clerk being a total sum of approximately \$11,045.00.

COUNT 2

THE GRAND JURY CHARGES that between January 1, 2001 and June 30, 2001 in Metcalfe County, Kentucky, the defendant committed the crime of THEFT BY UNLAWFUL TAKING OVER \$300.00 when, as part of a continuing course of conduct, she embezzled more than \$300.00 from the office of the Metcalfe County Clerk being a total sum of approximately \$6,368.00.

EXHIBIT # 1

page 1


ALL AGAINST THE PEACE AND DIGNITY OF THE COMMONWEALTH

PHIL PATTON  
COMMONWEALTH'S ATTORNEY

A TRUE BILL

  
FOREMAN, METCALFE CO. GRAND JURY

Presented by the Foreman of the Grand Jury to the Court in the presence of the Grand Jury and in my presence and received by me from the Court and filed in open Court this 13TH DAY OF SEPTEMBER 2001.

  
MARY SHIVE  
CLERK, METCALFE CIRCUIT COURT

BAIL: \$20,000.00 secured  
9:00 A.M. Warrant ARRAIGNMENT: Oct. 15 2001, AT

The following persons appeared before the Grand Jury as witnesses for the Commonwealth:

INVESTIGATOR, NOBLE RAY-OFFICE OF THE ATTORNEY GENERAL  
JEFF FRYMAN-OFFICE OF STATE AUDITOR

EXHIBIT # 1

Page 2

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Donald M. Butler, Metcalfe County Judge/Executive  
Honorable Carol England, Metcalfe County Clerk  
Members of the Metcalfe County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Metcalfe County Clerk for the year ended December 31, 2000, and have issued our report thereon dated September 12, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Metcalfe County Clerk's financial statement for the year ended December 31, 2000, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards.

- The County Clerk Referred A Misappropriation Of \$11,045 To The Commonwealth Attorney For Calendar Year 2000

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Metcalfe County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. A reportable condition is described in the accompanying comments and recommendations.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

- The County Clerk Should Improve Internal Control In The Financing Statement/Chattel Mortgage Section

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
September 12, 2001

